

**LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2012**



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**Lynnville-Sully Community School District  
Board of Education and School District Officials  
Year Ended June 30, 2012**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2011 Election)</b>		
Tim Dunsbergen	President	2013
Michael Rozendaal	Vice President	2013
Daniel Cross	Board Member	2011
Matt James	Board Member	2011
John Terpstra	Board Member	2011
<b>(After September 2011 Election)</b>		
Michael Rozendaal	President	2013
Tim Dunsbergen	Vice President	2013
Duane Rozendaal	Board Member	2015
John Terpstra	Board Member	2015
Matt Zylstra	Board Member	2015
<b>School District Officials</b>		
Shane Ehresman	Superintendent	2012
Karla De Cook	Business Manager/District Secretary	2012
Kyle Terpstra	District Treasurer	2012
Brian Gruhn	Attorney	2012



## Independent Auditor's Report

To the Board of Education  
Lynnvile-Sully Community School District  
Sully, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lynnvile-Sully Community School District, Sully, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lynnvile-Sully Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012 on our consideration of Lynnvile-Sully Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lynnville-Sully Community School District's basic financial statements. Another CPA firm previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ending June 30, 2005 and we audited the financial statements for the six years ended June 30, 2011, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

October 15, 2012

The Lynnville-Sully Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,708,516 in fiscal 2011 to \$4,773,992 in fiscal 2012, while General Fund expenditures decreased from \$4,321,343 in fiscal 2011 to \$4,318,833 in fiscal 2012. The District's General Fund balance increased from \$701,034 in fiscal 2011 to \$1,156,193 in fiscal 2012, a 65% increase.
- The increase in General Fund revenues was attributable to a cash reserve levy received. The decrease in expenditures was due primarily to imposed budget cuts and attrition.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lynnville-Sully Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lynnville-Sully Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lynnville-Sully Community School District acts solely as an agent or custodian for the benefit of those outside of the district.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

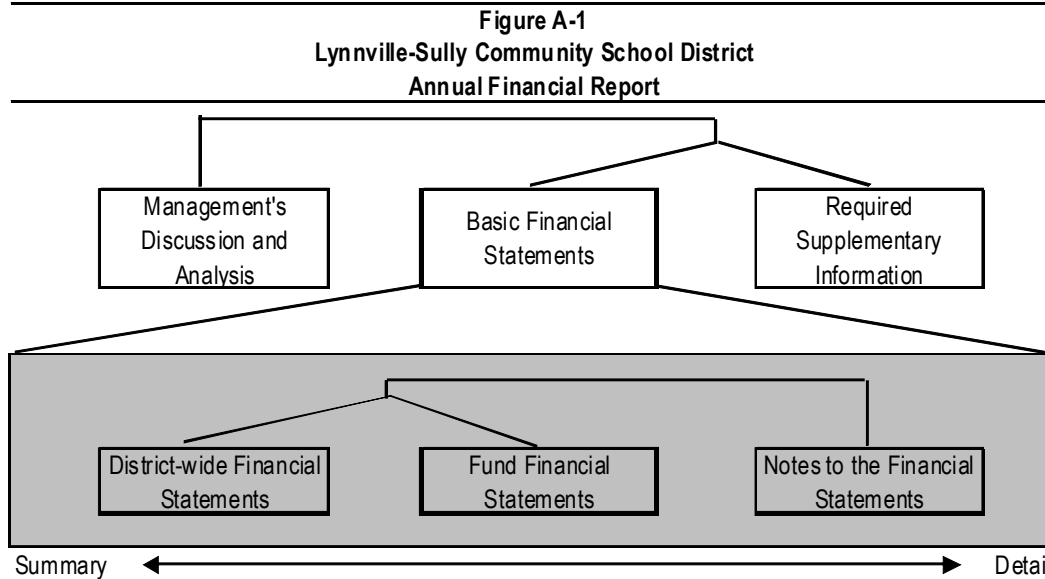


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services
Required Financial Statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in fund net assets * Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The district has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

# GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 4,852	4,580	49	52	4,901	4,632	5.8%
Capital assets	5,740	5,672	21	25	5,761	5,697	1.1%
Total assets	10,592	10,252	70	77	10,662	10,329	3.2%
Long-term liabilities	3,225	3,495	-	-	3,225	3,495	-7.7%
Other liabilities	2,798	2,802	4	-	2,802	2,802	0.0%
Total liabilities	6,023	6,297	4	-	6,027	6,297	-4.3%
Net assets:							
Invested in capital assets, net of related debt	2,545	2,247	21	25	2,566	2,272	12.9%
Restricted	1,016	1,164	-	-	1,016	1,164	-12.7%
Unrestricted	1,008	544	45	52	1,053	596	76.7%
Total net assets	\$ 4,569	3,955	66	77	4,635	4,032	15.0%

The District's combined net assets increased by nearly 15.0%, or approximately \$603,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$148,000, or 12.7% from the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$457,000 or 76.7%. This increase in unrestricted net assets was primarily a result of a cash reserve levy.

**Lynnville-Sully Community School District**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2012**

Figure A-4 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

**Figure A-4**  
**Changes in Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$ 679	689	181	189	860	878	-2.1%
Operating grants, contributions and restricted interest	780	811	75	80	855	891	-4.0%
General revenues:							
Property tax	2,297	2,175	-	-	2,297	2,175	5.6%
Statewide sales, service and use tax	344	368	-	-	344	368	-6.5%
Unrestricted state grants	1,650	1,419	-	-	1,650	1,419	16.3%
Unrestricted investment earnings	11	11	-	-	11	11	0.0%
Other	108	636	-	-	108	636	-83.0%
Total revenues	5,869	6,109	256	269	6,125	6,378	-4.0%
Program expenses:							
Governmental activities:							
Instruction	3,366	3,358	-	-	3,366	3,358	0.2%
Support services	1,477	1,488	-	-	1,477	1,488	-0.7%
Non-instructional programs	1	1	267	262	268	263	1.9%
Other expenses	411	420	-	-	411	420	-2.1%
Total expenses	5,255	5,267	267	262	5,522	5,529	-0.1%
Change in net assets	\$ 614	842	(11)	7	603	849	-29.0%

In fiscal 2012, property tax and unrestricted state grants account for 67% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$5,851,386 and expenses were \$5,254,920.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services		Change	Net Cost of Services		Change
	2012	2011	2011-2012	2012	2011	2011-2012
Instruction	\$ 3,366	3,358	0.2%	\$ 2,084	2,073	0.5%
Support services	1,477	1,488	-0.7%	1,463	1,456	0.5%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	411	420	-2.1%	247	237	4.2%
Totals	\$ 5,255	5,267	-0.2%	\$ 3,795	3,767	0.7%

**Lynnville-Sully Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2012**

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For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$3,795,521.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$780,266.
- The net cost of governmental activities was financed with \$2,640,252 in property and other taxes and \$1,649,589 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities during the year ended June 30, 2012 were \$257,245 representing a 4.4% decrease over the prior year, while expenses totaled \$262,278, a 2.0% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, Lynnville-Sully Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,054,299 up from last year's ending fund balances of \$1,757,891.

**Governmental Fund Highlights**

- The General Fund balance increased from \$701,034 to \$1,156,193 due in part to the cash reserve levy.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from a balance of \$113,433 in fiscal 2011 to a balance of \$212,153 in fiscal 2012.
- The Capital Projects Fund balance decreased from \$892,788 in fiscal 2011 to \$727,122 in fiscal 2012.

**Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$76,631 at June 30, 2011 to \$66,598 at June 30, 2012, representing a decrease of approximately 13.1%.

**BUDGETARY HIGHLIGHTS**

The District's receipts were \$31,020 higher than budgeted, a variance of 0.5%. The most significant variance resulted from the District receiving more in donations.

Total expenditures were less than budgeted, due primarily to the District's budget for the instruction and support services.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2012, the District had invested \$5.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$315,479.

The original cost of the District's capital assets was approximately \$10.2 million. Governmental funds account for approximately \$10 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

**Lynnville-Sully Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2012**

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$8,242,502 at June 30, 2012, compared to \$8,057,081 at June 30, 2011.

**Figure A-6  
Capital Assets, net of Depreciation  
(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 116	116	-	-	116	116	0.0%
Construction in progress	-	-	-	-	-	-	
Buildings	4,996	5,051	-	-	4,996	5,051	-1.1%
Improvements other than buildings	222	142	-	-	222	142	56.3%
Furniture and equipment	406	363	21	25	427	388	10.1%
Totals	\$ 5,740	5,672	21	25	5,761	5,697	1.1%

**Long-Term Debt**

At June 30, 2012 the District had \$3,225,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 7.7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7  
Outstanding Long-Term Obligations  
(Expressed in Thousands)**

	Total District		Change
	June 30,		June 30,
	2012	2011	2011-2012
General obligation bonds	\$ 1,790	1,970	-9.1%
Revenue bonds	1,405	1,455	-
Early retirement	30	70	-57.1%
Totals	\$ 3,225	3,495	-7.7%

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

- The district expects increased special education costs due to increased special education needs including one-on-one associates.
- The district will negotiate a new agreement with the LSEA for fiscal year 2013-2014. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's general fund budget and related fund balance.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karla De Cook, District Secretary/Treasurer and Business Manager, Lynnville-Sully Community School District, Sully, Iowa, 50251.

## **Basic Financial Statements**

**Lynnville-Sully Community School District**  
**Statement of Net Assets**  
**June 30, 2012**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,274,044	46,060	2,320,104
Receivables:			
Property tax:			
Delinquent	29,324	-	29,324
Succeeding year	2,037,312	-	2,037,312
Income surtax	216,143	-	216,143
Accounts	3,556	-	3,556
Due from other governments	280,212	-	280,212
Inventories	-	2,507	2,507
Bond issuance costs, net of accumulated amortization	11,209	-	11,209
Capital assets, net of accumulated depreciation	5,740,156	21,475	5,761,631
<b>Total assets</b>	<b>10,591,956</b>	<b>70,042</b>	<b>10,661,998</b>
<b>Liabilities</b>			
Accounts payable	138,405	3,367	141,772
Salaries and benefits payable	374,432	77	374,509
Accrued interest payable	31,691	-	31,691
Deferred revenue:			
Succeeding year property tax	2,037,312	-	2,037,312
Income surtax	216,143	-	216,143
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	185,000	-	185,000
Revenue bonds	55,000	-	55,000
Early retirement	20,000	-	20,000
Portion due after one year:			
General obligation bonds	1,605,000	-	1,605,000
Revenue bonds	1,350,000	-	1,350,000
Early retirement	10,000	-	10,000
<b>Total liabilities</b>	<b>6,022,983</b>	<b>3,444</b>	<b>6,026,427</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,545,156	21,475	2,566,631
Restricted for:			
Categorical funding	145,646	-	145,646
Debt service	112,117	-	112,117
Student activities	154,847	-	154,847
Physical plant and equipment levy	212,153	-	212,153
Capital projects	391,500	-	391,500
Unrestricted	1,007,554	45,123	1,052,677
<b>Total net assets</b>	<b>\$ 4,568,973</b>	<b>66,598</b>	<b>4,635,571</b>

See notes to financial statements.

**Lynnville-Sully Community School District**  
**Statement of Activities**  
**Year ended June 30, 2012**

	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
<b>Functions/Programs</b>						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,011,146	289,270	435,099	(1,286,777)	-	(1,286,777)
Special instruction	642,586	66,586	163,977	(412,023)	-	(412,023)
Other instruction	711,954	323,277	3,094	(385,583)	-	(385,583)
	<u>3,365,686</u>	<u>679,133</u>	<u>602,170</u>	<u>(2,084,383)</u>	<u>-</u>	<u>(2,084,383)</u>
Support Services:						
Student	98,045	-	-	(98,045)	-	(98,045)
Instructional staff	168,475	-	-	(168,475)	-	(168,475)
Administration	591,485	-	-	(591,485)	-	(591,485)
Operating and maintenance of plant	345,518	-	-	(345,518)	-	(345,518)
Transportation	273,152	-	13,250	(259,902)	-	(259,902)
	<u>1,476,675</u>	<u>-</u>	<u>13,250</u>	<u>(1,463,425)</u>	<u>-</u>	<u>(1,463,425)</u>
Non-instructional programs	<u>1,085</u>	<u>-</u>	<u>-</u>	<u>(1,085)</u>	<u>-</u>	<u>(1,085)</u>
Other expenditures:						
Facilities acquisition	136,923	-	-	(136,923)	-	(136,923)
Long-term debt interest	109,705	-	-	(109,705)	-	(109,705)
AEA flowthrough	164,846	-	164,846	-	-	-
	<u>411,474</u>	<u>-</u>	<u>164,846</u>	<u>(246,628)</u>	<u>-</u>	<u>(246,628)</u>
Total governmental activities	<u>5,254,920</u>	<u>679,133</u>	<u>780,266</u>	<u>(3,795,521)</u>	<u>-</u>	<u>(3,795,521)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	267,278	181,351	75,786	-	(10,141)	(10,141)
	<u>267,278</u>	<u>181,351</u>	<u>75,786</u>	<u>-</u>	<u>(10,141)</u>	<u>(10,141)</u>
Total primary government	<u>\$ 5,522,198</u>	<u>860,484</u>	<u>856,052</u>	<u>(3,795,521)</u>	<u>(10,141)</u>	<u>(3,805,662)</u>



Exhibit B

**Lynnville-Sully Community School District**  
**Statement of Activities**  
**Year ended June 30, 2012**

	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 5,522,198	860,484	856,052	(3,795,521)	(10,141)	(3,805,662)
General Revenues:						
Property tax levied for:						
General purposes				1,986,894	-	1,986,894
Debt service				139,166	-	139,166
Capital outlay				170,641	-	170,641
Statewide sales, services and use tax				343,551	-	343,551
Unrestricted state grants				1,649,589	-	1,649,589
Unrestricted investment earnings				11,183	108	11,291
Other				57,318	-	57,318
Contributions not restricted to specific programs				43,645	-	43,645
Proceeds from sale of assets				4,106	-	4,106
Casualty loss insurance proceeds				3,550	-	3,550
Total general revenues				4,409,643	108	4,409,751
Change in net assets				614,122	(10,033)	604,089
Net assets beginning of year				3,954,851	76,631	4,031,482
Net assets end of year				\$ 4,568,973	66,598	4,635,571

See notes to financial statements.

## Exhibit C

**Lynnville-Sully Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	General	Debt Service	Capital Projects	Non-major	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,420,477	18,369	661,534	173,664	2,274,044
Receivables:					
Property tax:					
Delinquent	24,664	1,970	1,544	1,146	29,324
Succeeding year	1,724,511	122,140	105,661	85,000	2,037,312
Income surtax	162,107	-	54,036	-	216,143
Accounts	-	-	-	3,556	3,556
Due from other governments	180,973	-	99,239	-	280,212
<b>Total assets</b>	<b>\$ 3,512,732</b>	<b>142,479</b>	<b>922,014</b>	<b>263,366</b>	<b>4,840,591</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 96,714	-	35,195	6,496	138,405
Salaries and benefits payable	373,207	-	-	1,225	374,432
Early retirement payable	-	-	-	20,000	20,000
Deferred revenue:					
Succeeding year property tax	1,724,511	122,140	105,661	85,000	2,037,312
Income surtax	162,107	-	54,036	-	216,143
<b>Total liabilities</b>	<b>2,356,539</b>	<b>122,140</b>	<b>194,892</b>	<b>112,721</b>	<b>2,786,292</b>
Fund balances:					
Restricted for:					
Categorical funding	145,646	-	-	-	145,646
Debt service	-	20,339	123,469	-	143,808
Student activities	-	-	-	154,847	154,847
School infrastructure	-	-	391,500	-	391,500
Physical plant and equipment	-	-	212,153	-	212,153
Unassigned	1,010,547	-	-	(4,202)	1,006,345
<b>Total fund balances</b>	<b>1,156,193</b>	<b>20,339</b>	<b>727,122</b>	<b>150,645</b>	<b>2,054,299</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,512,732</b>	<b>142,479</b>	<b>922,014</b>	<b>263,366</b>	<b>4,840,591</b>

See notes to financial statements.

Exhibit D

**Lynnville-Sully Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Assets  
June 30, 2012**

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<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>\$ 2,054,299</b>
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***Amounts reported for governmental activities in the statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,740,156
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Long-term liabilities, including bonds payable, bond issuance costs, accrued interest, early retirement, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities at year-end consist of:

General obligation bonds payable	\$ (1,790,000)	
Revenue bonds payable	(1,405,000)	
Bond issuance costs	11,209	
Accrued interest	(31,691)	
Early retirement	(30,000)	
Portion of early retirement reflected on governmental funds	20,000	(3,225,482)

<b>Net assets of governmental activities (Exhibit A)</b>	<b>\$ 4,568,973</b>
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See notes to financial statements.

## Exhibit E

**Lynnville-Sully Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2012**

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 1,906,859	139,166	514,192	80,035	2,640,252
Tuition	340,886	-	-	-	340,886
Other	91,677	411	11,970	345,607	449,665
State sources	2,211,074	51	40	28	2,211,193
Federal sources	219,390	-	-	-	219,390
Total revenues	4,769,886	139,628	526,202	425,670	5,861,386
Expenditures:					
Current:					
Instruction:					
Regular	1,925,525	-	5,724	36,588	1,967,837
Special	602,182	-	-	-	602,182
Other	334,763	-	-	331,400	666,163
	2,862,470	-	5,724	367,988	3,236,182
Support services:					
Student	67,903	-	-	512	68,415
Instructional staff	111,324	-	-	585	111,909
Administration	582,729	-	-	3,981	586,710
Operation and maintenance of plant	307,638	-	4,139	29,855	341,632
Transportation	221,923	-	35,130	13,772	270,825
	1,291,517	-	39,269	48,705	1,379,491
Non-instructional programs	-	-	-	1,085	1,085
Other expenditures:					
Facilities acquisition	-	-	451,239	-	451,239
Long-term debt:					
Principal	-	230,000	-	-	230,000
Interest and fiscal charges	-	100,791	9,000	-	109,791
AEA flowthrough	164,846	-	-	-	164,846
	164,846	330,791	460,239	-	955,876
Total expenditures	4,318,833	330,791	505,232	417,778	5,572,634
Excess (deficiency) of revenues over (under) expenditures	451,053	(191,163)	20,970	7,892	288,752
Other financing sources (uses):					
Proceeds from sale of assets	4,106	-	-	-	4,106
Casualty loss insurance proceeds	-	-	3,550	-	3,550
Operating transfers in (out)	-	190,186	(190,186)	-	-
Total other financing sources	4,106	190,186	(186,636)	-	7,656
Net change in fund balances	455,159	(977)	(165,666)	7,892	296,408
Fund balances beginning of year	701,034	21,316	892,788	142,753	1,757,891
Fund balances end of year	\$ 1,156,193	20,339	727,122	150,645	2,054,299

See notes to financial statements.

Exhibit F

**Lynnville-Sully Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2012**

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**Net change in fund balances - total governmental funds (Exhibit E)** **\$ 296,408**

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 383,107	
Depreciation expense	<u>(315,479)</u>	67,628

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

GO bonds repaid	180,000	
Revenue bonds repaid	50,000	
Amortization of bond issuance costs	<u>(1,269)</u>	228,731

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,355

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		<u>20,000</u>
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**Change in net assets of governmental activities (Exhibit B)** **\$ 614,122**

See notes to financial statements.

Exhibit G

**Lynnville-Sully Community School District**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2012**

	School Nutrition
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 46,060
Inventories	2,507
Total current assets	<u>48,567</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	149,554
Accumulated depreciation	<u>(128,079)</u>
Total non-current assets	<u>21,475</u>
<b>Total assets</b>	<u><u>70,042</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	3,367
Salaries and benefits payable	<u>77</u>
Total current liabilities	<u>3,444</u>
<b>Total liabilities</b>	<u>3,444</u>
<b>Net Assets</b>	
Invested in capital assets	21,475
Unrestricted	<u>45,123</u>
<b>Total net assets</b>	<u><u>\$ 66,598</u></u>

See notes to financial statements.

Exhibit H

**Lynnville-Sully Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year ended June 30, 2012**

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 181,351
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	105,263
Benefits	31,888
Purchased services	7,366
Supplies	119,176
Depreciation	3,430
Other	155
Total operating expenses	267,278
Operating loss	(85,927)
Non-operating revenue:	
Interest income	108
State sources	2,103
Federal sources	73,683
Total non-operating revenue	75,894
Change in net assets	(10,033)
Net assets beginning of year	76,631
Net assets end of year	\$ 66,598

See notes to financial statements.

## Exhibit I

**Lynnville-Sully Community School District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year ended June 30, 2012**

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 181,351
Cash payments to employees for services	(137,074)
Cash payments to suppliers for goods or services	(104,012)
Net cash used by operating activities	(59,735)
Cash flows from non-capital financing activities:	
State grants received	2,103
Federal grants received	57,518
Net cash provided by non-capital financing activities	59,621
Cash flows from investing activities:	
Interest on investments	108
Net decrease in cash and cash equivalents	(6)
Cash and cash equivalents at beginning of year	46,066
Cash and cash equivalents at end of year	\$ 46,060
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (85,927)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,165
Depreciation	3,430
Decrease in inventories	3,153
Increase in salaries and benefits payable	77
Increase in accounts payable	3,367
Net cash used by operating activities	\$ (59,735)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	\$ 46,060
Cash and cash equivalents at year end	\$ 46,060

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2012, the District received \$16,165 of federal commodities.

See notes to financial statements.



(1) **Summary of Significant Accounting Policies**

Lynnvile-Sully Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Lynnvile, Sully, Searsboro and Killduff, Iowa and the predominate agricultural territory in Jasper, Poweshiek and Mahaska counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lynnvile-Sully Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Lynnvile-Sully Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jasper County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,500
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment	3,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of the succeeding year's property tax receivable and income surtax receivable not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year's property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* – All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 190,186

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 116,125	-	-	116,125
Total capital assets not being depreciated	116,125	-	-	116,125
Capital assets being depreciated:				
Buildings	8,057,081	185,421	-	8,242,502
Improvements other than buildings	304,980	86,131	-	391,111
Furniture and equipment	1,526,558	111,555	24,995	1,613,118
Total capital assets being depreciated	9,888,619	383,107	24,995	10,246,731
Less accumulated depreciation for:				
Buildings	3,005,856	241,127	-	3,246,983
Improvements other than buildings	162,805	5,987	-	168,792
Furniture and equipment	1,163,555	68,365	24,995	1,206,925
Total accumulated depreciation	4,332,216	315,479	24,995	4,622,700
Total capital assets being depreciated, net	5,556,403	67,628	-	5,624,031
Governmental activities capital assets, net	\$ 5,672,528	67,628	-	5,740,156
<b>Business type activities:</b>				
Furniture and equipment	\$ 174,455	-	24,901	149,554
Less accumulated depreciation	149,550	3,430	24,901	128,079
Business type activities capital assets, net	\$ 24,905	(3,430)	-	21,475

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 96,970
Special	40,404
Other	45,791

Support services:

Student services	29,630
Instructional staff	56,566
Administration	4,775
Operation and maintenance of plant	3,886
Transportation	37,457

Total governmental activities depreciation expense	\$ 315,479
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Business type activities:

Food services	\$ 3,430
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,970,000	-	180,000	1,790,000	185,000
Revenue bonds	1,455,000	-	50,000	1,405,000	55,000
Early retirement	70,000	-	40,000	30,000	20,000
Total	\$ 3,495,000	-	270,000	3,225,000	260,000

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2011				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2013	0.80%	\$ 185,000	36,640	221,640
2014	1.15%	190,000	35,160	225,160
2015	1.50%	185,000	32,975	217,975
2016	1.85%	190,000	30,200	220,200
2017	2.10%	195,000	26,685	221,685
2018	2.35%	200,000	22,590	222,590
2019	2.55%	205,000	17,890	222,890
2020	2.75%	215,000	12,662	227,662
2021	3.00%	225,000	6,750	231,750
Total		\$ 1,790,000	221,552	2,011,552



Revenue Bonds

Details of the Districts' June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of April 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.00%	\$ 55,000	56,450	111,450
2014	3.00%	55,000	54,800	109,800
2015	3.50%	55,000	53,150	108,150
2016	3.50%	60,000	51,275	111,275
2017	3.50%	60,000	49,175	109,175
2018	3.50%	65,000	46,988	111,988
2019	3.88%	65,000	44,712	109,712
2020	3.88%	70,000	42,219	112,219
2021	4.25%	70,000	39,506	109,506
2022	4.25%	75,000	36,556	111,556
2023	4.25%	75,000	33,369	108,369
2024	4.25%	80,000	30,075	110,075
2025	4.25%	85,000	26,569	111,569
2026	4.70%	85,000	22,956	107,956
2027	4.70%	90,000	19,035	109,035
2028	4.70%	95,000	14,688	109,688
2029	4.70%	100,000	10,105	110,105
2030	4.70%	165,000	5,287	170,287
Total		\$ 1,405,000	636,915	2,041,915

The District has pledged future statewide sales, services and use tax revenues for the purpose of construction. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$2,041,915. For the current year, \$111,450 principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$343,551.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$123,469 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District complied with all of the provisions during the year ended June 30, 2012.

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$216,056, \$190,609, and \$188,402, respectively, equal to the required contributions for each year.

**(7) Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for employees and retirees and their spouses. There are 76 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual OPEB cost	\$ 42,980
Interest on net OPEB obligation	(135)
Adjustment to annual required contribution	115
Annual OPEB cost	42,960
Contributions made	(42,960)
(Decrease) in net OPEB obligation	-
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	\$ -

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$42,960 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 43,000	106.98%	(3,000)
June 30, 2011	42,960	93.02%	-
June 30, 2012	42,960	100.00%	-

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$418,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$418,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,600,000, and the ratio of the UAAL to covered payroll was 16.1%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(8) Termination Benefits**

The District offered a voluntary early retirement plan to its employees. Eligible employees must have completed at least 25 years of continuous service to the District and must have reached the age of fifty-five on or before June 30, 2012. The application for early retirement was subject to approval by the Board of Education.

The employee shall receive a total benefit of \$30,000 payable in six installments over a three year period. At June 30, 2012, the District had obligations to two participants with a total liability of \$30,000.

**(9) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$164,846 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Financial Condition**

The Non-major Special Revenue Fund-Management Levy had a deficit fund balance at June 30, 2012 of \$4,202.

### **Required Supplementary Information**

**Lynnville-Sully Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2012**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 3,430,803	181,459	3,612,262	3,607,924	4,338
State sources	2,211,193	2,103	2,213,296	2,351,687	(138,391)
Federal sources	219,390	73,683	293,073	128,000	165,073
Total revenues	5,861,386	257,245	6,118,631	6,087,611	31,020
Expenditures:					
Instruction	3,236,182	-	3,236,182	3,698,061	461,879
Support services	1,379,491	-	1,379,491	1,935,035	555,544
Non-instructional programs	1,085	267,278	268,363	269,988	1,625
Other expenditures	955,876	-	955,876	1,767,853	811,977
Total expenditures	5,572,634	267,278	5,839,912	7,670,937	1,831,025
Excess (deficiency) of revenues over (under) expenditures	288,752	(10,033)	278,719	(1,583,326)	1,862,045
Other financing sources, net	7,656	-	7,656	-	7,656
Excess (deficiency) of revenues and other financing sources over (under) expenditures	296,408	(10,033)	286,375	(1,583,326)	1,869,701
Balances beginning of year	1,757,891	76,631	1,834,522	1,100,880	733,642
Balances end of year	\$ 2,054,299	66,598	2,120,897	(482,446)	2,603,343

See accompanying independent auditor's report.

**Lynnvile-Sully Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year ended June 30, 2012**

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This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

**Lynnville-Sully Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	418,000	418,000	0.0%	2,600,000	16.1%
2011	July 1, 2009	-	418,000	418,000	0.0%	2,600,000	16.1%
2012	July 1, 2009	-	418,000	418,000	0.0%	2,600,000	16.1%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation funded status and funding progress.

See accompanying independent auditor's report.



## **Supplementary Information**

## Schedule 1

**Lynnville-Sully Community School District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2012**

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 14,652	159,012	173,664
Receivables:			
Property tax:			
Delinquent	1,146	-	1,146
Succeeding year	85,000	-	85,000
Accounts	-	3,556	3,556
<b>Total assets</b>	<b>\$ 100,798</b>	<b>162,568</b>	<b>263,366</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	6,496	6,496
Salaries and benefits payable	-	1,225	1,225
Early retirement payable	20,000	-	20,000
Deferred revenue:			
Succeeding year property tax	85,000	-	85,000
Total liabilities	105,000	7,721	112,721
Fund balances:			
Restricted for:			
Student activities	-	154,847	154,847
Unassigned	(4,202)	-	(4,202)
Total fund balances	(4,202)	154,847	150,645
<b>Total liabilities and fund balances</b>	<b>\$ 100,798</b>	<b>162,568</b>	<b>263,366</b>

See accompanying independent auditor's report.

## Schedule 2

## Lynnville-Sully Community School District

## Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

## Non-Major Governmental Funds

Year ended June 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 80,035	-	80,035
Other	372	345,235	345,607
State sources	28	-	28
Total revenues	80,435	345,235	425,670
Expenditures:			
Current:			
Instruction:			
Regular	36,588	-	36,588
Other	-	331,400	331,400
Support Services:			
Student	512	-	512
Instructional staff	585	-	585
Administration	3,981	-	3,981
Operation and maintenance of plant	29,855	-	29,855
Transportation	2,520	11,252	13,772
Non-instructional program	1,085	-	1,085
Total expenditures	75,126	342,652	417,778
Excess of revenues over expenditures	5,309	2,583	7,892
Fund balances beginning of year	(9,511)	152,264	142,753
Fund balances end of year	\$ (4,202)	154,847	150,645

See accompanying independent auditor's report.

## Schedule 3

**Lynnville-Sully Community School District**  
**Schedule of Changes in Special Revenue Funds, Student Activity Accounts**  
**Year ended June 30, 2012**

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletic Booster Club	\$ 32,703	57,032	55,796	33,939
Drill Team	2,020	5,781	6,348	1,453
ITED Incentives	3,406	185	-	3,591
Weightlifting	383	-	383	-
Instrumental Concerts	-	222	222	-
Instrumental Resale	184	643	539	288
Vocal Concerts	-	2,293	2,110	183
Music Booster Club	3,148	5,693	3,923	4,918
Music Boosters Uniforms	1,349	230	642	937
Music & Drama - Trip Accts	-	3,562	2,065	1,497
Academic Booster Club	3,285	148	721	2,712
High School Annual (Yearbook)	11,557	24,641	30,167	6,031
Junior High Annual	28	14	28	14
Speech and Drama	230	4,792	4,858	164
Cheerleaders	458	280	335	403
Co-Ed Athletics	13,474	58,644	57,144	14,974
Co-Ed Athletics - Uniforms	343	-	343	-
Basketball	2,864	13,692	11,101	5,455
Football	2,419	14,457	13,467	3,409
Baseball	-	2,887	2,887	-
Cross Country	375	1,581	1,882	74
Track	106	4,281	3,830	557
Golf	-	1,036	1,036	-
Wrestling	1,731	2,916	3,154	1,493
Volleyball	2,543	3,204	3,157	2,590
Softball	62	10,540	5,636	4,966
F.C.A.	246	50	197	99
F.F.A.	16,391	16,862	17,461	15,792
National Honor Society	193	1,353	1,488	58
High School Student Council	10,041	5,146	6,573	8,614
Junior High Student Council	1,773	10,215	9,640	2,348
Class of 2011	3,153	-	3,153	-
Class of 2112	6,777	6,288	10,017	3,048
Class of 2013	7,545	5,620	4,528	8,637
Class of 2014	1,283	5,326	-	6,609
Class of 2015	-	2,667	1,170	1,497
Class of 2018	50	-	-	50
Class of 2019	664	-	-	664
Class of 2021	953	-	552	401
Class of 2022	-	2,595	1,957	638
Spanish Club	665	5,697	2,825	3,537
Padlocks	832	447	294	985
Activity Card	3,688	-	3,688	-
Interest	5,399	305	3,291	2,413

## Schedule 3

**Lynnville-Sully Community School District**  
**Schedule of Changes in Special Revenue Funds, Student Activity Accounts**  
**Year ended June 30, 2012**

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
After Prom Party	2,079	14,994	14,414	2,659
Math Club	2,773	6,688	5,988	3,473
Eighth Grade Banquet	494	-	-	494
Athletic Booster - LL and Soccer	4,343	23,222	24,856	2,709
Art Club	32	2,119	2,151	-
Hawk Talk	168	-	-	168
Jazz Band	54	280	28	306
Concession Stand	-	16,607	16,607	-
Totals	\$ 152,264	345,235	342,652	154,847

See accompanying independent auditor's report.

## Schedule 4

**Lynnville-Sully Community School District**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**June 30, 2012**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 420,163	22,625	218,746	661,534
Receivables:				
Property tax:				
Delinquent	-	-	1,544	1,544
Succeeding year	-	-	105,661	105,661
Income surtax	-	-	54,036	54,036
Due from other governments	99,239	-	-	99,239
<b>Total assets</b>	<b>\$ 519,402</b>	<b>22,625</b>	<b>379,987</b>	<b>922,014</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ 21,349	5,709	8,137	35,195
Deferred revenue:				
Succeeding year property tax	-	-	105,661	105,661
Income surtax	-	-	54,036	54,036
Total liabilities	21,349	5,709	167,834	194,892
Fund balances:				
Restricted for:				
Debt service	123,469	-	-	123,469
School infrastructure	374,584	16,916	-	391,500
Physical plant and equipment	-	-	212,153	212,153
Total fund balances	498,053	16,916	212,153	727,122
<b>Total liabilities and fund balances</b>	<b>\$ 519,402</b>	<b>22,625</b>	<b>379,987</b>	<b>922,014</b>

See accompanying independent auditor's report.

## Schedule 5

**Lynnville-Sully Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Project Accounts**  
**Year ended June 30, 2012**

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 343,551	-	170,641	514,192
Other	2,492	6,864	2,614	11,970
State sources	-	-	40	40
Total revenues	346,043	6,864	173,295	526,202
Expenditures:				
Current:				
Instruction				
Regular	-	-	5,724	5,724
Support services:				
Operation and maintenance of plant	-	-	4,139	4,139
Transportation	-	-	35,130	35,130
Other expenditures:				
Facilities acquisition	184,518	233,589	33,132	451,239
Interest and fiscal charges	9,000	-	-	9,000
Total expenditures	193,518	233,589	78,125	505,232
Excess (deficiency) of revenues over (under) expenditures	152,525	(226,725)	95,170	20,970
Other financing sources (uses)				
Casualty loss insurance proceeds	-	-	3,550	3,550
Operating transfers in (out)	(230,186)	40,000	-	(190,186)
Total other financing sources	(230,186)	40,000	3,550	(186,636)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(77,661)	(186,725)	98,720	(165,666)
Fund balances beginning of year	575,714	203,641	113,433	892,788
Fund balances end of year	\$ 498,053	16,916	212,153	727,122

See accompanying independent auditor's report.

**Lynnville-Sully Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Local sources:										
Local tax	\$ 2,640,252	2,543,681	2,221,322	2,188,704	2,096,135	2,030,294	1,946,651	1,601,563	1,724,141	1,834,207
Tuition	340,886	388,430	324,431	304,670	279,487	286,278	270,715	254,227	234,372	229,776
Other	449,665	689,309	445,758	450,751	492,107	513,387	642,764	812,954	677,403	357,558
Intermediate sources		-	-	-	-	-	-	-	-	4,151
State sources	2,211,193	2,070,144	1,969,635	2,152,604	2,259,724	2,198,030	2,145,914	1,847,808	1,780,259	1,777,670
Federal sources	219,390	159,938	375,083	202,199	175,356	185,570	113,297	148,122	118,072	136,851
Total	<u>\$ 5,861,386</u>	<u>5,851,502</u>	<u>5,336,229</u>	<u>5,298,928</u>	<u>5,302,809</u>	<u>5,213,559</u>	<u>5,119,341</u>	<u>4,664,674</u>	<u>4,534,247</u>	<u>4,340,213</u>
Expenditures:										
Instruction:										
Regular	\$ 1,967,837	1,920,892	2,022,810	2,016,527	1,917,943	1,794,640	1,708,092	1,588,743	1,608,616	1,515,256
Special	602,182	651,363	696,243	697,974	665,827	656,680	766,259	628,435	553,353	501,199
Other	666,163	627,973	642,364	656,697	580,612	559,788	401,269	707,540	605,766	521,873
Support services:										
Student	68,415	67,618	96,625	90,332	81,065	79,132	75,984	76,611	74,035	130,227
Instructional staff	111,909	88,074	122,010	87,116	112,269	69,720	110,692	91,545	85,689	82,792
Administration	586,710	575,167	557,324	548,166	575,598	554,684	490,049	484,750	475,768	483,767
Operation and maintenance of plant	341,632	362,487	415,456	388,632	380,045	388,497	313,949	292,393	303,195	279,515
Transportation	270,825	266,837	336,608	271,362	269,564	337,613	312,777	216,996	264,851	203,201
Non-instructional programs	1,085	1,144	1,015	998	1,316	788	728	1,304	5,960	2,097
Other expenditures:										
Facilities acquisition	451,239	858,020	947,445	202,495	164,212	80,031	930,616	133,660	644,711	2,440,074
Long-term debt:										
Principal	230,000	2,065,000	140,000	135,000	130,000	125,000	120,000	115,000	110,000	60,000
Interest and other charges	109,791	165,877	142,525	106,755	112,280	117,592	122,693	127,580	132,255	179,490
AEA flowthrough	164,846	182,815	184,704	163,657	161,343	156,987	147,838	139,489	141,990	153,505
Total	<u>\$ 5,572,634</u>	<u>7,833,267</u>	<u>6,305,129</u>	<u>5,365,711</u>	<u>5,152,074</u>	<u>4,921,152</u>	<u>5,500,946</u>	<u>4,604,046</u>	<u>5,006,189</u>	<u>6,552,996</u>

See accompanying independent auditor's report





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**Van Maanen, Sietstra & Meyer, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance  
And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With  
Government Auditing Standards**

To the Board of Education of Lynnville-Sully Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Lynnville-Sully Community School District, Sully, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated October 15, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

The management of Lynnville-Sully Community School district is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lynnville-Sully Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lynnville-Sully Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lynnville-Sully Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lynnville-Sully Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lynnville-Sully Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Lynnville-Sully Community School District's responses and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lynnville-Sully Community School District and other parties to whom Lynnville-Sully Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lynnville-Sully Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

October 15, 2012

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

- A. Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in school Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to investigate alternatives to this problem.

Conclusion - Response accepted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**Other Findings Related to Required Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2012, did not exceed the certified budget amounts.
2. Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions – No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6. Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
7. Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
8. Supplementary Weighting – The supplementary weighting certified to the Iowa Department of Education contained errors regarding students enrolled in community college supplemental programs.

Recommendation – The District should contact the Department of Education to resolve this problem.

Response - We have contacted the Department of Education to resolve this problem.

Conclusion - Response accepted.

9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

**Lynnville-Sully Community School District**  
**Schedule of Findings**  
**Year ended June 30, 2012**

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11. Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Deficit Balance – The Special Revenue Fund-Management Levy had a deficit balance as of June 30, 2012.
- Recommendation – The District should continue to monitor this fund and investigate alternatives to eliminate this deficit.
- Response – We are monitoring this situation. We are currently analyzing alternatives to reverse the deficit balance.
- Conclusion – Response accepted.
13. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	575,714
Revenues/transfers in:			
Sales tax revenues	\$	343,551	
Other local revenues		2,492	346,043
			<u>921,757</u>
Expenditures/transfers out:			
School infrastructure construction		184,518	
Other		9,000	
Transfers to other funds:			
Debt service funds		230,186	423,704
			<u>423,704</u>
Ending balance		\$	<u><u>498,053</u></u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy	
	Reduction Per	
	\$1,000 of Taxable	Property Tax
	Valuation	Dollars Reduced
Debt service levy	\$ 0.51000	82,161